

**Japan's Leading Tourism and Aviation Weekly**

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Published every Monday by The WING Aviation Press (Koku Shimbun Sha).  
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Subscription Rates: Overseas: One year \$ 215.00, Half year \$ 125.00  
Domestic (including tax): One year 26,000 Yen, Half year 15,000 Yen

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***\*The Ministry has requested 18.2% more budgets for tourism-related programs in FY2007***

The Ministry of Land, Infrastructure and Transport Tourism Division recently announced that it has requested a total of 7,684 million yen for the tourism-related programs in FY2007, 18.2% more than the budget for FY2006. For Visit Japan Campaign (VJC) that will be the 5th year in FY2007 since it began in FY2003, the Ministry has requested another 4,000 million yen, doubling the budget for the first fiscal year.

The Ministry will continue making efforts to invite more foreign visitors and to create tourism industries and tourist attractions, placing VJC, Tourism Renaissance Program and New Tourism Creation Program as three core actions. For those actions, it has requested a total of 5,289 million yen, including 850 million yen for Tourism Renaissance Program and 300 million yen for New Tourism Creation Program. Also, a subsidy of 2,161 million yen has been requested for management of Japan National Tourist Organization (JNTO).

VJC will focus on invitation of international conferences or international culture events from the viewpoint of creating new businesses through FY2007. In addition to 12 focal markets worldwide, VJC will approach India, Russia and Malaysia as new tourist markets for Japan. At the same time, the Ministry plans to allot around 40% of the budget to cooperative programs with local communities to improve VJC to a more effective project nationwide in cooperation with local governments and private sectors. The budgetary request also includes 50 million yen approximately for tourism surveys to make up stay statistics.

The budgetary request for Tourism Renaissance Program in FY2007 increases from the budget of 350 million yen for FY2006 to 850 million yen to mainly support the Area Tourism Agency (ATA), which is the system to promote local tourism by private sectors. For the system, the Ministry will focus on "creation of hand-made tourism services" and "improvement of foreign visitors' satisfactions" as new important themes.

New Tourism Creation Program will be a new action to develop tourism industries by creating new tourism with local tourism features to meet diversified foreign travelers' needs. The Program particularly aims to create "Internet or data-base market" to provide travel products "community-based new tourism," including long-stay, health tourism, eco-tourism, culture-oriented tourism and so forth. Among the exiting travel products related to the program concept, prod-

ucts to meet criterion will be listed on the market. Also, the program will publicly seek new products with creativity, potentiality or sustainability and conduct monitoring tests for those products.

The followings are budgetary requests for each program in FY2007:

VJC = 4,000 million yen (up 12.6%)

Tourism Renaissance Program = 850 million yen (2.43 times more)

New Tourism Creation Program = 300 million yen (new program)

Development of travel environments for foreign visitors = 120 million yen (up 59.3%)

Tourism promotions based on universal design = 16 million yen (up 16.1%)

Tourism statistics = 32 million yen (up 7.5%)

Development of tourism-based facilities = 28 million yen (down 4.8%)

Enforcement of Travel Law = 5.9 million yen (up 14.7%)

Subsidy to JNTO = 2,161 million yen (down 4.7%)

Contribution to ASEAN Center = 88 million yen (even)

Contribution to UNWTO = 65 million yen (up 6.0%)

### *\*CAB has requested 11.4% more budget for airport developments in FY2007*

Civil Aviation Bureau (CAB) of the Ministry of Land, Infrastructure and Transport announced on August 29 that it has requested a budget of 638 billion yen for the airport developments, 11.4% more than the budget for FY2006. This the first time CAB requests a budget of more than 600 billion yen in the history.

The highlighted point in the budgetary request for FY2007 is large increase of a budget for the Haneda re-expansion program from 162.4 billion yen for FY2006 to 219.1 billion yen because full-scale construction of a new runway begins in FY2007. The budgetary request accounts for one-third of the whole budgetary request. Out of the budgetary request, 30% come from the national general account, and the rest is covered with 109 billion yen from the government investment and loan and financial burdens by the local governments.

Including the budgetary request for the Haneda re-expansion program, CAB has requested a total of 368.5 billion yen for developments of core airports, 18% more than the budget for FY2006.

Haneda re-expansion program = 219.1 billion yen (162.4 billion yen)

Functional improvement of Haneda = 129.5 billion yen (117.7 billion yen)

Narita International Airport = 3.6 billion yen (900 million yen)

Kansai International Airport = 16.3 billion yen (31.2 billion yen)

Functional improvement of Haneda focuses on construction of three new taxiways into C runway. CAB has requested more budgets for Narita to develop new facilities for the extended B runway.

Also, CAB has requested 44.1 billion yen for local airport developments, 2.5% more than the budget for FY2006, and 20.7 billion yen for improvement of air transport services, 22.4% more than the budget for FY2006.

Other budgetary requests than the airport developments are as follows:

Aviation safety and security = 19.2 billion yen <including 2.2 billion yen for earthquake resistant at airports> (12.5 billion yen)

Environmental improvement = 13.1 billion yen (15.4 billion yen)

Airways development = 24.8 billion yen (23.3 billion yen)

Support to island flight operators = 400 million yen (1.9 billion yen)

Airport maintenance = 147.2 billion yen (147.4 billion yen)

### *\*CAB Director General says: "Range of international flights from Haneda should carefully be considered"*

Civil Aviation Bureau (CAB) Director General Hisayasu Suzuki said at an interview with the Wing Aviation Press, "The range of Haneda-Ishigaki is just a reference for us to judge ranges of international flights from Haneda after the re-expansion program completes in 2009. We have to consider a range rule carefully, looking at requests from foreign countries."

CAB has decided to approve 30,000 departure slots annually for scheduled international flights from Haneda Airport after 2009, including daytime charter flights between Haneda and Gimpo (Seoul) today. CAB has a basic plan to allot departure slots to short-haul flights equivalent to 1,947 km, the longest domestic flight between Haneda and Ishigaki (Okinawa Prefecture). The range includes major cities of Korea, Dalian, Shanghai or Qingdao in China, however does not include Beijing, Taipei, Hong Kong, Guangzhou or Xiamen.

Although the airline industry expects that CAB should decide a range rule for the scheduled international flights as soon as possible, Suzuki said that it is necessary to take time to decide a rule, considering the aviation agreements with neighboring countries. It is possible that CAB will decide a rule year and a half or two years before the new runway opens, following the precedent for the Narita's second runway.

Suzuki also revealed, "CAB does not mean that it will never approve more than 30,000 departure slots annually. The number will probably depend on the future situation around Haneda." At the same time, careful discussion will be required for distribution of departure slots to domestic flights, he added.

### *\*KNT resulted in less revenue than expected for the first six months of 2006*

Kinki Nippon Tourist (KNT) released the consolidated financial result for the first six months of 2006 on August 30, reporting that operating revenue was up 1.4% to 37,920 million yen over the same period last year, but was lower than the original expectation of 39,700 million yen mainly because of inactive domestic travel business. KNT posted operating loss of 1,326 million yen (operating loss of 1,348 million yen a year ago), recurring loss of 1,027 million yen (recurring loss of 1,112 million yen a year ago) and net loss of 1,528 million yen (net loss of 1,616 million yen a year ago).

For the first half of 2006, KNT strengthened business tie-ups with Keihin Kyuko Travel and Keio Travel Agency and also made Sanki Travel Service its subsidiary and took over a travel business from Kanashin Service. To improve the business for Micronesia, KNT bought out Holiday Tours Micronesia.

For the second half of 2006, KNT will revise contracts with accommodations to begin selling "e contract" products, which are exclusively sold on web or mobile phone. Also, it will propel its platform strategy and heighten synergy effects with affiliated companies nationwide.

KNT estimates operating revenue at 86,500 million yen, recurring profit at 2,500 million yen and net profit at 1,800 million yen for a full year of 2006.

On a non-consolidated financial basis, KNT posted operating revenue of 30,255 million yen, operating loss of 1,268 million yen, recurring loss of 1,063 million yen and net loss of 1,313 million yen.

The followings are non-consolidated financial details:

<Sales>

DOMESTIC TRAVEL = 127.5 billion yen (down 6.1%)

Group travel = 44.0 billion yen (down 7.7%)

Planned travel = 49.1 billion yen (down 4.4%)

Individual travel = 34.4 billion yen (down 6.5%)

OVERSEAS TRAVEL = 833.4 billion yen (up 1.7%)

Group travel = 24.3 billion yen (up 4.6%)

Planned travel = 36.3 billion yen (up 0.4%)

Individual travel = 20.7 billion yen (up 3.3%)

International travel = 2.1 billion yen (up 23.1%)

OTHERS = 1.6 billion yen (up 23.1%)

TOTAL = 212.4 billion yen (down 3.0%)

<Operating revenue>

DOMESTIC TRAVEL = 19,258 million yen (down 3.9%)

Group travel = 7,299 million yen (down 4.1%)

Planned travel = 9,305 million yen (down 3.7%)

Individual travel = 2,654 million yen (down 4.5%)

OVERSEAS TRAVEL = 9,838 million yen (down 0.9%)

Group travel = 3,609 million yen (up 14.9%)

Planned travel = 5,029 million yen (down 8.3%)  
 Individual travel = 826 million yen (down 0.1%)  
 International travel = 374 million yen (down 22.1%)  
 OTHERS = 1,159 million yen (up 51.3%)  
 TOTAL = 30,255 million yen (down 1.6%)

### *\*NTA succeeded in shrinking losses for the first six half of 2006*

Nippon Travel Agency (NTA) released the consolidated financial result for the first six months of 2006 on August 30, reporting that net loss reduced to 590 million yen from 1,457 million yen a year earlier. NTA increased operating revenue for the period by 4.2% to 30,439 million yen over the same period last year. It succeeded in shrinking operating loss to 1,388 million yen from 1,909 million yen a year earlier and recurring loss to 869 million yen from 1,457 million yen a year earlier.

On a non-consolidated financial basis, NTA posted operating revenue of 25,860 million yen (up 5.0%), operating loss of 1,574 million yen (operating loss of 2,131 million yen a year earlier), recurring loss of 1,149 million yen (recurring loss of 1,700 million yen a year earlier) and net loss of 735 million yen (net loss of 1,060 million yen a year earlier).

The operating revenue for the first half of 2006 was broken down into 15,526 million yen from the domestic travel business (up 0.2%), 9,812 million yen from the overseas travel business (up 12.8%) and 316 million yen from the international travel business (up 8.8%).

For the first half of 2006, NTA made MID Tourist, Matsushita Group inhouse travel agent, a consolidated company by acquiring the company's stocks. Also, NTA offered charter flight products for Guam, Las Vegas and Hong Kong during the Golden Week period and strengthened FIT products for Europe and China. For the international travel business, it extended inbound travel products for Chinese tourists.

The followings are non-consolidated financial details for each business segment:

<Sales>

Domestic travel = 142,639 million yen (down 1.5%)  
 Overseas travel = 75,392 million yen (up 7.8%)  
 International travel = 2,303 million yen (up 5.0%)  
 Other businesses = 189 million yen (down 17.2%)  
 Total = 220,524 million yen (up 1.6%)

<Operating revenue>

Domestic travel = 15,526 million yen (up 0.2%)  
 Overseas travel = 9,812 million yen (up 12.8%)  
 International travel = 316 million yen (up 8.8%)  
 Other businesses = 203 million yen (up 28.6%)  
 Total = 25,860 million yen (up 5.0%)

### *\*MasterCard forecasts Asia/Pacific overseas travelers will record double-digit growth*

MasterCard released "MasterIndex" overseas travel trend forecast on August 28, reporting that overseas travelers in 12 Asia/Pacific countries will record double-digit growth for the second half of 2006, compared to the same period last year, primarily because of large growths of overseas travelers from China and Malaysia.

The forecast also finds that overseas travelers from Hong Kong for the last six months of 2006 will increase by 15% to 3.25 million, compared to the same period last year, and the growth rate is larger than 3% growth six months ago. Japanese overseas travelers will reach 9.44 million, 3.8% more than a year earlier.

It is remarkable that Chinese and Malaysian overseas travelers will increase by 12.5% to 18.96 million and by 12.5% to 22.07 million respectively, according to the forecast.

The followings are forecasts by country:

Australia = 2.67 million (up 5.5%)

China = 18.96 million (up 12.5%)  
 Hong Kong = 3.25 million (up 15.0%)  
 Indonesia = 2.44 million (up 6.0%)  
 Japan = 9.44 million (up 3.8%)  
 Korea = 5.78 million (up 9.0%)  
 Malaysia = 22.07 million (up 12.5%)  
 New Zealand = 960,000 (up 2.3%)  
 Philippine = 930,000 (up 4.5%)  
 Singapore = 2.67 million (up 4.8%)  
 Taiwan = 4.42 million (up 5.3%)  
 Thailand = 1.59 million (up 6.7%)

MasterCard conducts market researches for business and tourist overseas travels in 12 Asia/Pacific countries twice a year.

*\*ANA will also raise fuel surcharges on its international flights*

ANA has decided to raise fuel surcharges on all of its international flights, which will be effective to tickets sold from October 15 this year. ANA has already applied for the decision to the Ministry of Land, Infrastructure and Transport. As reported before, JAL will enforce rise of fuel surcharges on its international flight tickets sold from October 1 this year.

Rises of fuel surcharges by flight destination are as follows (a passenger on one way basis):

Korea = from 1,300 yen to 2,000 yen (up 53.8%)  
 China = from 3,000 yen to 4,800 yen (up 60.0%)  
 Hong Kong = from 1,800 yen to 6,000 yen (up 233.3%)  
 Singapore, Thailand, Malaysia = from 6,500 yen to 10,000 yen (up 53.8%)  
 Taiwan, Vietnam, Guam = from 3,900 yen to 6,000 yen (up 53.8%)  
 Hawaii = from 8,000 yen to 10,000 yen (up 25.0%)  
 North America, Europe, Middle East = from 8,000 yen to 13,600 yen (up 70.0%)

*\*Saudi Arabian Airlines begins serving Kansai flight*

Saudi Arabian Airlines officially announced that it will begin serving Jiddah-Riyadh-Manila-Kansai International Airport flight on September 6 this year, extending its Jiddah-Riyadh-Mania flight today. It will offer one flight a week (every Wednesday) with B747-400 (36 first class seats, 32 business class seats and 290 economy class seats).

SV895 departs from Kansai at 20:05, and SV894 arrives at Kansai at 18:35. The airline expects that the new flight service will be a chance to exploit both business and tourist markets in Japan.

*\*Narita resulted in 1% increase of passengers for July*

Narita International Airport Co. (NAA) recently reported that the number of passengers for July this year was up 1% to 2,799,997 over the same month last year, broken down into 2,707,341 passengers for international flights (up 2%) and 92,656 passengers for domestic flights (down 2%).

The monthly total of international flight passengers consisted of 1,600,783 Japanese (up 1%), 795,876 foreigners (up 1%) and 310,682 transits (up 2%). Transit passengers resulted in growth for the first time since October last year.

Narita handled 16,134 aircraft movements, almost the same as a year earlier, which were broken down into 15,052 for international flights and 1,082 for domestic flights. The monthly total of aircraft movements for international flights consisted of 12,535 for passengers flights, 2,335 for cargo flights and 182 for others.